

Fiscal Note

Fiscal Services Division



HF 2463 – Sales Tax Rebates, Baseball and Softball Tournament Facilities (LSB6009HV)
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Fiscal Note Version – New

Description

House File 2463 modifies the rebate of state sales tax to the owner or operator of a baseball and softball tournament facility and movie site. Any facility seeking the rebate must make an application to the Iowa Economic Development Authority (IEDA) Board through the Community Attraction and Tourism (CAT) Program, and the bill specifies the evaluation provision of the projects. The bill changes the qualifying entity to any baseball and softball complex with construction costs of at least \$10.0 million completed after July 1, 2016. The requirement that the legal owner or operator be a for-profit is modified. A cap of \$2.5 million or 10 years of rebates is applied to individual complexes, whichever comes first.

Under the bill, a complex remains eligible until one of the following conditions is met:

- More than 10 years have passed from the project completion date, or the award date, whichever is later.
- A complex reaches the \$2.5 million individual rebate cap.
- The aggregate \$16.5 million cap is reached on the Program.
- There is a change in control in the ownership of a complex making it ineligible.

With a \$16.5 million Program cap, and a \$2.5 million individual rebate cap, there could be as many as six or seven projects financed under this Program if they meet the \$10.0 million investment requirement. The Program sunset in 2024 is repealed, but the Program will continue until \$16.5 million in funds have been rebated.

Background

In 2012, Iowa Acts, chapter **1098** (Sales Tax Rebate – Baseball and Softball Tournament Facility and Movie Site), a sales tax rebate was enacted that applies to the owner or operator of a baseball and softball tournament facility and movie site. The provision provides a rebate of sales tax between January 1, 2014, and January 1, 2024, from the sales tax imposed and collected by retailers at the All-Star Ballpark Heaven facility in Dyersville, Iowa. The aggregate amount is not to exceed \$16.5 million. The provision is repealed June 30, 2024 (or 30 days after the \$16.5 million cap is achieved).

Assumptions

- No entity qualified for the rebate established currently in Iowa Code section **423.4(10)**.
- Two facilities in the planning stages will likely qualify for the rebate: one in Dyersville and one in Cedar Rapids. Neither facility is anticipated to be in operation until the summer of 2017.
- Based on figures from the Strategic Economics Group and other similar complexes in other areas of the country, sales at the two facilities are estimated to range between \$3.0 million and \$6.0 million annually.
- Based on the individual cap and overall rebate cap, additional entities could qualify at a later date, but are not factored into the estimate at this time.
- The IEDA will be able to evaluate applications with existing staffing capacity.

Fiscal Impact

The total maximum fiscal impact will be a sales tax rebate amount of \$16.5 million, with individual project caps of \$2.5 million or 10 years. The actual timing and specific rebate amounts by fiscal year are currently unknown. Based on the assumptions noted above, the following table provides an estimate of the annual diversion and rebate of State General Fund revenues that will be deposited into the rebate fund.

	Dyersville	Cedar Rapids	Total Impact	Cumulative Impact
FY 2017	\$ 0	\$ 0	\$ 0	\$ 0
FY 2018	-292,000	-75,000	-367,000	-367,000
FY 2019	-305,000	-157,000	-462,000	-829,000
FY 2020	-316,000	-163,000	-479,000	-1,308,000
FY 2021	-328,000	-169,000	-497,000	-1,805,000
FY 2022	-340,000	-175,000	-515,000	-2,320,000
FY 2023	-352,000	-181,000	-533,000	-2,853,000
FY 2024	-365,000	-188,000	-553,000	-3,406,000
FY 2025	-202,000	-195,000	-397,000	-3,803,000
FY 2026	0	-202,000	-202,000	-4,005,000
FY 2027	0	-210,000	-210,000	-4,215,000
FY 2028	0	-109,000	-109,000	-4,324,000
Total Rebate	<u>\$-2,500,000</u>	<u>\$-1,824,000</u>		

The sales tax rebate will only impact the General Fund. State sales/use tax for school infrastructure (Secure an Advanced Vision for Education – SAVE) funds are not rebated and Local Option Sales Tax revenue is not rebated.

In addition to the sales tax rebate amounts, the Department of Revenue will incur \$25,000 in administrative costs in FY 2017 and future fiscal years until the expiration of this provision.

Sources

Iowa Department of Revenue
Iowa Economic Development Authority
All-Star Ballpark Heaven (Dyersville, IA)
Prospect Meadows (Cedar Rapids, IA)
Strategic Economics Group
LSA Analysis and Calculations

/s/ Holly M. Lyons

April 20, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the LSA upon request.
